



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
November 9, 2004

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**TREASURER ANGELIDES ANNOUNCES 'SPOTLIGHT FOUR LIST'
OF POORLY PERFORMING CORPORATIONS WITH
TOP-HEAVY EXECUTIVE PAY PACKAGES**

*Angelides Calls on CalPERS and CalSTRS To Flex Their 'Power of the Purse'
to Target Four Corporations With Excessive Executive Compensation*

SACRAMENTO, CA – California State Treasurer Phil Angelides today unveiled his “Spotlight Four List” of four poorly performing companies whose top executives hauled down the lion’s share of stock options and grants given by the companies, as he launched a new drive to highlight and rein in excessive executive pay.

The Treasurer unveiled the list to draw public attention to the companies and to put them on notice to reform their compensation plans. He also called on the State’s two large public pension funds, the California Public Employees’ Retirement System (CalPERS) and the California State Teachers’ Retirement System (CalSTRS), to take whatever actions are necessary – if the companies do not act on their own – to prod the companies to reform their executive pay practices by curbing excessive compensation, broadening the distribution of their equity compensation plans to more employees, and more clearly linking compensation to performance. Those actions could include calling on other institutional investors to join CalPERS and CalSTRS in waging a coordinated proxy ballot campaign next year.

The four companies highlighted today are among the most egregious violators of new executive compensation policies adopted last year by CalPERS and CalSTRS for the 1,000 largest companies in which the funds invest their money. Under those guidelines, CalPERS and CalSTRS will vote to support equity compensation plans if the plans award less than five percent of the total compensation granted to the top five executives of the company.

Today’s “Spotlight Four List” of companies fall far short of the mark. The List includes UnitedGlobalCom Inc., Denver (communications); UNUMProvident Corp., Chattanooga, TN (Insurance); AES Corp., Arlington, VA (utilities/energy); and Omnicare Inc., Covington, KY (pharmaceuticals). The companies in 2003 – the latest figures available – granted a range of 89 percent to 59 percent of all equity compensation to the top five executives of the companies, despite dismal records of five-year stock performance, ending December 31, 2003, in which the companies lost money for shareholders or significantly underperformed their industry peer group. (The five-year period ending December 31, 2003 was picked to correspond with the executives’ 2003 pay packages.)

At the same time, the “Spotlight Four List” companies reported total compensation to their respective top five executives that ranged from nearly \$43 million to nearly \$10 million in 2003, even as shareholders were shouldering the burden of poor company stock performance.

The “Spotlight Four List” includes companies whose stock is held by both CalPERS and CalSTRS, the nation’s largest and third-largest public pension funds. The Treasurer sits on both boards, and his release of the list comes at a time when both systems have identified executive compensation as the top corporate governance priority for the coming year.

“These companies just don’t get it. What these companies are doing is not only wrong for shareholders, but is also wrong for their employees and the economy overall,” Angelides said.

The Treasurer pointed out that the CalPERS and CalSTRS equity compensation guidelines, which he sponsored, are designed to curb the excesses in executive compensation that have undermined confidence in the nation’s financial markets. Many independent experts say that the broad-based plans encouraged by the guidelines result in greater long-term corporate value, increased productivity, and higher, sustained yields to investors. Angelides pointed out that some of the country’s most successful businesses already follow a broad-based approach to equity compensation.

“Broad-based equity compensation plans are good for the economy as a whole,” Angelides said, “because they provide workers the opportunity to participate in economic growth and they restore a sorely needed sense of fairness to our financial markets.”

Near the “top” of the list, for example, is UNUMProvident, a company that awarded its top five executives 83 percent of its equity compensation in 2003. Meanwhile, the company’s stock over the five years ending December 31, 2003, plummeted 69.84 percent, while its peer group’s performance – the Standard & Poor’s 500 Financials Index – actually has risen 33.21 percent over the same period.

“With those dismal returns,” Angelides said, “it’s clear that the Big Five executives at UNUMProvident did not deserve any rewards – let alone those approaching what they received in equity compensation – for the company’s poor performance record. Something is seriously out of whack with any company that lavishes its top executives with such undeserving largess.”

Shareholders must be willing to reward sustained performance and the creation of value, the Treasurer said. “At the same time,” he added, “we as large, pension fund investors must flex our ‘power of the purse’ to oppose compensation plans that benefit only executives, at the expense of shareholders.”

The following is the complete “Spotlight Four List,” including the name of the company, the share of 2003 equity compensation awarded to the top five executives, the companies’ performance over the past five years, ending December 31, 2003, and the total 2003 compensation to the top five executives:

Company	Equity Compensation Compensation to Top Five Execs	Five-year Performance	Total 2003 to Top Five Execs
UnitedGlobalCom Inc. Denver (Communications)	89%	-11.9%	\$42,466,702
UNUMProvident Corp. Chattanooga, TN (Insurance)	83%	-69.84%	\$28,385,423
AES Corp. Arlington, VA (Utilities/Energy)	62%	-60.15%	\$9,668,655
Omnicare Inc. Covington, KY (Pharmaceuticals)	59%	+19.01%*	\$42,884,533

*Omnicare’s five-year performance was 51.82% below its peer group, the Standard & Poor’s Mid 400 Health Care Index, which was 70.83% over the same period.

“SPOTLIGHT FOUR” COMPANIES

Company	Share of 2003 Equity Compensation to Top Five Execs	Total 2003 Compensation to Top Five Execs	Five-Year Performance (1/1/1999 - 12/31/2003)
UnitedGlobalCom, Inc.	89%	\$42,466,702	-11.9%
UNUMProvident Corp.	83%	\$28,385,423	-69.84%
AES Corp.	62%	\$9,668,655	-60.15%
Omnicare Inc.	59%	\$42,884,533	+19.01% (51.82% below peer group)

"SPOTLIGHT FOUR" COMPANIES

Company	Location	Description
UnitedGlobalCom, Inc.	Denver, CO	Develops, acquires, and manages multi-channel television, programming and telephone operations outside the U.S.
UNUMProvident Corp.	Chattanooga, TN	Provides group disability and special risk insurance.
AES Corp.	Arlington, VA	Acquires, develops, owns and operates energy generation and distribution facilities in several countries.
Omnicare Inc.	Covington, KY	Provides professional pharmacy, related consulting and data management services to nursing, assisted living, and institutional health care providers.



PHILIP ANGELIDES
Treasurer
State of California

November 9, 2004

Mr. Sean Harrigan, President
Board of Administration
California Public Employees' Retirement System
Lincoln Plaza
400 P Street
Sacramento, CA 95814

Mr. Rob Feckner, Chair
Investment Committee
California Public Employees' Retirement System
Lincoln Plaza
400 P Street
Sacramento, CA 95814

Dear Messrs. Harrigan and Feckner:

With executive compensation clearly a top corporate governance priority for the California Public Employees' Retirement System (CalPERS) in the coming year, there are four companies that I feel compelled to bring to your attention for particular scrutiny and possible action.

Attached you will find two charts with information on four corporations that in 2003 doled out the lion's share of their stock options and grants to their top five executives while at the same time exhibiting poor long-term performance in the stock market over the past five years, ending December 31, 2003. These companies clearly are violating the strict executive compensation guidelines that CalPERS established last year for the 1,000 largest companies in which the fund invests its money. Under those guidelines, CalPERS will vote to support equity compensation plans on proxy ballots only if the plans award less than five percent of the total compensation to the top five executives of the company.

But the four companies that I draw to your attention fall far from the mark. Leading the list is UnitedGlobalCom Inc., Denver, which awarded 89 percent of its total equity compensation in 2003 to its top five executives. The others (and their share of equity compensation last year to their top five executives) worthy of scrutiny and action are:

915 CAPITOL MALL, ROOM 110, SACRAMENTO, CA 95814 • (916) 653-2995 • FAX (916) 653-3125



UNUMProvident Corp., Chattanooga, TN (83 percent); AES Corp., Arlington, VA (62 percent); and Omnicare Inc., Covington, KY (59 percent).

The “Spotlight Four List” companies in 2003 reported total compensation to their respective top five executives that ranged from nearly \$43 million to nearly \$10 million, despite dismal records of five-year stock performance for the companies in which shareholders lost money or, in one instance, the company, Omnicare, significantly underperformed its industry peer group.

I urge CalPERS to take whatever actions are necessary – if the companies do not act on their own – to prod these companies to reform their executive compensation practices, by curbing excessive pay, broadening the distribution of their equity compensation plans to more employees, and more clearly linking compensation to performance. Those steps could include focusing the spotlight of publicity on the companies, enlisting other institutional investors in the cause and seriously considering a coordinated proxy ballot campaign next year aimed at any or all of the companies.

I look forward to working with you on this effort.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Phil Angelides', with a long horizontal flourish extending to the right.

Phil Angelides
State Treasurer

Attachments

cc: Honorable Members
CalPERS Investment Committee

Fred Buenrostro
CalPERS, Chief Executive Officer

Mark Anson
CalPERS, Chief Investment Officer



PHILIP ANGELIDES
Treasurer
State of California

November 9, 2004

Mr. Gary Lynes, Chairperson
California State Teachers' Retirement System
7667 Folsom Blvd., 3rd Floor
Sacramento, CA 95826

Dear Mr. Lynes:

With executive compensation clearly a top corporate governance priority for the California State Teachers' Retirement System (CalSTRS) in the coming year, there are four companies that I feel compelled to bring to your attention for particular scrutiny and possible action.

Attached you will find two charts with information on four companies that in 2003 doled out the lion's share of their stock options and grants to their top five executives while at the same time exhibiting poor long-term performance in the stock market over the past five years, ending December 31, 2003. These companies clearly are violating the strict executive compensation guidelines that CalSTRS established last year for the 1,000 largest companies in which the fund invests its money. Under those guidelines, CalSTRS will vote to support equity compensation plans on proxy ballots only if the plans award less than five percent of the total compensation to the top five executives of the company.


But the four companies that I draw to your attention fall far from the mark. Leading the list is UnitedGlobalCom Inc., Denver, which awarded 89 percent of its total equity compensation this year to its top five executives. The others (and their percentage of equity compensation to their top five executives) worthy of scrutiny and action are: UNUMProvident Corp., Chattanooga, TN (83 percent); AES Corp., Arlington, VA (62 percent); and Omnicare Inc., Covington, KY (59 percent).

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I urge CalSTRS to take whatever actions are necessary – if the companies do not act on their own – to prod these companies to reform their executive compensation practices, by curbing excessive pay, broadening the distribution of their equity compensation plans to more employees, and more clearly linking compensation to performance. Those steps could include focusing the spotlight of publicity on the companies, enlisting other institutional investors in the cause and seriously considering a coordinated proxy ballot campaign next year aimed at any or all of the companies.

I look forward to working with you on this effort.

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Phil Angelides
State Treasurer

cc: Honorable Members,
CalSTRS Investment Committee

Jack Ehnes
CalSTRS, Chief Executive Officer

Chris Ailman,
CalSTRS, Chief Investment Officer